

State of Florida




Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 19, 2024

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis 

RE: Docket No.: 20240001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No.: 2024-008-2-2

Attached is the final audit report for the Utility stated above, I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Florida Power & Light Company
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240001-EI
Audit Control No. 2024-008-2-2

July 18, 2024

A handwritten signature in black ink, appearing to read "Tomer", written over a horizontal line.

Tomer Kopelovich
Audit Manager

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated January 3, 2024. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Power & Light Company in support of its 2023 filing for the Capacity Cost Recovery Clause in Docket No. 20240001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Power & Light Company (FPL).
CCRC refers to the Capacity Cost Recovery Clause.

Other

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's CCRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2023 to 2022 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Capital Investment

Objective: The objectives were to determine the accuracy of the balances, depreciation expenses, and amortization for the Nuclear Incremental Security Return on Investment Schedules.

Procedures: We reconciled the Plant-in-Service and Construction-Work-in-Progress balances to the general ledger and traced the beginning balance to the prior audit in Docket No. 20230001-EI, Audit Control No. 2023-010-4-2. We statistically sampled capital security costs for the twelve-month period. We recalculated the return on investment amounts using the Utility's debt and equity rates. We sampled and recalculated the months of April, May and June 2023 for the Nuclear Incremental Security and Fukushima depreciation expenses and traced the depreciation rates to the depreciation study in Docket No. 202100145-EI. No exceptions were noted.

Revenue Expansion Factor

Objectives: The objective was to verify that the revenue expansion factor applied to any capital investment being recovered through the capacity clause does not contain a component for bad debt expense.

Procedures: We requested support for whether the revenue expansion factor applied to any capital investments being recovered through the Capacity Clause contained a component of bad debt expense. Per the Utility response, the revenue expansion factor used for clause calculations does not contain any component for bad debt expense. Further follow-up was not needed.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2023, through December 31, 2023, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2023 filing to the Utility's monthly revenue reports and the general ledger. We computed the factors by rate code and compared them to Commission Order No. PSC-2023-0343-FOF-EI. We statistically selected a sample of customers' bills and verified the appropriate factors were applied in the billing. No exceptions were noted.

Transmission Revenues

Objectives: The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Order No. PSC-1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2023, from the Utility-provided documentation and reconciled the revenues with the general ledger and the filing. We reviewed transmission revenues for the twelve month period ended December 31, 2023. We determined that these revenues comply with Order No. PSC-1999-2512-FOF-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We statistically selected a sample from the twelve months of 2023. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Incremental Security Cost

Objectives: The objective was to determine whether the security costs recovered in the Capacity Clause were incremental to the security costs included in base rates, and consistent with the method approved by Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI.

Procedures: We statistically selected a sample from the twelve months of 2023. We reviewed source documentation to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. We verified the consistency with the method approved in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI. We also

verified that the total incremental security cost was within the range of the amount allocated to CCRC in the 2021 rate increase schedule.

Purchased Power Contract

Objectives: The objective was to determine whether invoices for capacity purchases were in accordance with the terms and conditions of the contracts.

Procedures: We reviewed the purchased power contracts. We traced the purchased power capacity costs from the filing to the general ledger. We statistically selected a sample and agreed the sampled items to source documentation. We also traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations.

Nuclear Regulatory Commission (NRC) Fee

Objective: The objective was to determine whether the amount of Nuclear Regulatory Commission NRC fees paid and the recoverable portion of the Incremental NRC fee increase amounts were consistent with the percentage approved for recovery in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI.

Procedures: We obtained and reviewed Order PSC-2003-1461-FOF-EI. We statistically selected NRC fees to determine the Utility's allocation to the clause. We compared the allocation percentage to the benchmarks established in the U.S. Nuclear Regulatory Commission's (USNRC) Annual Performance Plan to assess its accuracy. Our analysis confirmed that the increase in fees did not exceed the percentage authorized by the FPSC Order.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed was properly calculated.

Procedures: We traced the December 31, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission-approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 CCRC revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

| True Up Report | Jan - 2023 | Feb - 2023 | Mar - 2023 | Apr - 2023 | May - 2023 | Jun - 2023 | Jul - 2023 | Aug - 2023 | Sep - 2023 | Oct - 2023 | Nov - 2023 | Dec - 2023 |
|---|------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Line No. | | | | | | | | | | | | |
| 1. Revenues (net of Revenue Taxes) | (\$18,161,744.01) | \$16,939,000.22 | \$18,005,043.11 | \$20,219,921.47 | \$20,676,057.03 | \$22,199,633.92 | \$25,116,793.18 | \$26,092,125.92 | \$25,368,370.33 | \$22,427,844.84 | \$19,413,933.81 | \$17,880,341.23 |
| 2. True-up Provision | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) | (\$268,781.64) |
| a - SOBRA True Up | | | | | | | | | | | | |
| b - GBRA True Up | | | | | | | | | | | | |
| c - IRA Refund | \$35,747,856.03 | | | | | | | | | | | |
| 3. Revenues Applicable to Period (Lines 1 + 2) | \$19,327,330.39 | \$16,670,218.58 | \$18,536,861.47 | \$19,951,139.83 | \$20,407,275.39 | \$21,927,852.28 | \$24,848,011.54 | \$25,823,344.28 | \$25,119,588.69 | \$22,159,063.20 | \$19,145,152.17 | \$17,611,559.59 |
| 4. Jurisdictional Costs | | | | | | | | | | | | |
| a - O&M Activities | \$9,433,106.74 | \$9,133,750.42 | \$9,300,876.53 | \$9,862,747.09 | \$8,168,507.51 | \$8,739,387.80 | \$3,219,821.29 | \$3,327,399.16 | \$2,074,917.88 | \$2,591,101.75 | \$2,809,689.57 | \$3,684,765.31 |
| b - Capital Investment Projects | \$14,691,827.28 | \$14,932,970.90 | \$14,538,509.19 | \$14,477,171.41 | \$14,402,690.60 | \$14,327,747.33 | \$14,264,913.29 | \$14,201,398.73 | \$14,144,160.45 | \$14,089,536.89 | \$14,022,820.33 | \$13,956,841.87 |
| c - Total Jurisdictional Costs | \$24,114,994.02 | \$23,736,721.32 | \$23,840,385.72 | \$24,129,918.50 | \$22,561,198.11 | \$20,067,135.02 | \$17,484,434.58 | \$17,528,795.89 | \$16,219,078.11 | \$16,670,638.63 | \$16,832,709.89 | \$17,640,306.98 |
| 5. Over/(Under) Recovery (Line 3 - Line 4c) | (\$4,787,663.64) | (\$7,066,502.74) | (\$5,303,524.25) | (\$4,188,778.67) | (\$2,153,912.72) | \$1,860,717.26 | \$7,363,576.96 | \$8,294,558.39 | \$8,900,510.58 | \$5,479,424.36 | \$2,312,442.28 | (\$28,637.38) |
| 6. Interest Provision | \$9,569.82 | (\$11,919.56) | (\$35,831.13) | (\$55,011.11) | (\$68,824.45) | (\$70,313.29) | (\$50,841.54) | (\$16,993.27) | \$23,523.98 | \$57,041.94 | \$75,987.46 | \$82,178.19 |
| 7. Prior Periods True-Up to be (Collected)/Refunded | \$32,522,478.34 | (\$7,734,612.87) | (\$14,544,253.53) | (\$19,814,827.27) | (\$23,589,835.41) | (\$25,543,790.94) | (\$23,484,605.33) | (\$16,903,088.26) | (\$7,355,741.50) | \$1,837,074.71 | \$7,842,322.85 | \$10,299,534.02 |
| a - Deferred True-Up | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 | \$8,047,503.10 |
| b - SOBRA True Up | | | | | | | | | | | | |
| c - GBRA True Up | | | | | | | | | | | | |
| d - IRA Refund | (\$36,747,856.03) | | | | | | | | | | | |
| 8. True-Up Collected / (Refunded) (See Line 2) | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 | \$268,781.64 |
| 9. End of Period True-Up (Lines 5+6+7+8) | \$312,890.23 | (\$6,498,760.43) | (\$11,567,324.17) | (\$16,642,332.31) | (\$17,498,287.84) | (\$16,437,102.23) | (\$7,855,885.16) | \$891,781.60 | \$9,684,577.81 | \$15,689,825.75 | \$18,347,037.12 | \$18,669,159.58 |
| 10. Adjustments to Period Total True-Up including Inters. | | | | | | | | | | | | |
| 11. End of Period Total Net True-Up (Lines 9+10) | \$312,890.23 | (\$6,498,760.43) | (\$11,567,324.17) | (\$16,642,332.31) | (\$17,498,287.84) | (\$16,437,102.23) | (\$7,855,885.16) | \$891,781.60 | \$9,684,577.81 | \$15,689,825.75 | \$18,347,037.12 | \$18,669,159.58 |

Exhibit 2: Interest Provision

| Interest Provision | Jan - 2023 | Feb - 2023 | Mar - 2023 | Apr - 2023 | May - 2023 | Jun - 2023 | Jul - 2023 | Aug - 2023 | Sep - 2023 | Oct - 2023 | Nov - 2023 | Dec - 2023 |
|---|----------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| 1. Beginning True-Up Amount | \$4,622,123.41 | \$312,690.23 | (\$6,496,750.43) | (\$11,567,324.17) | (\$15,542,332.31) | (\$17,496,267.64) | (\$15,437,10223) | (\$7,655,585.16) | \$691,761.60 | \$9,664,577.61 | \$15,669,625.75 | \$16,347,037.12 |
| 2. Ending True-Up Amount before Interest | \$303,301.41 | (\$6,464,630.67) | (\$11,631,493.04) | (\$15,467,321.20) | (\$17,427,463.39) | (\$15,366,766.94) | (\$7,604,74362) | \$707,754.67 | \$9,861,053.62 | \$15,632,763.61 | \$16,271,049.66 | \$16,566,961.37 |
| 3. Total of Beginning & Ending True-Up (Lines 1 + 2) | \$5,125,424.82 | (\$6,171,940.64) | (\$18,028,243.47) | (\$27,054,645.37) | (\$32,969,796.70) | (\$32,663,076.76) | (\$23,241,64585) | (\$7,147,630.29) | \$10,552,615.42 | \$25,517,361.62 | \$33,960,675.41 | \$36,934,018.49 |
| 4. Average True-Up Amount (Line 3 x 1/2) | \$2,562,712.41 | (\$3,085,970.32) | (\$9,014,121.73) | (\$13,527,322.69) | (\$16,464,697.65) | (\$16,431,536.39) | (\$11,620,92293) | (\$3,573,915.14) | \$5,276,407.71 | \$12,758,680.81 | \$16,960,437.70 | \$18,467,009.24 |
| 5. Interest Rate (First Day of Reporting Month) | 4.3700% | 4.6100% | 4.6600% | 4.6800% | 4.6600% | 5.1400% | 5.1300% | 5.3700% | 5.3700% | 5.3300% | 5.4000% | 5.3400% |
| 6. Interest Rate (First Day of Subsequent Month) | 4.6100% | 4.6600% | 4.6600% | 4.6800% | 5.1400% | 5.1300% | 5.3700% | 5.3700% | 5.3300% | 5.4000% | 5.3400% | 5.3400% |
| 7. Total of Beginning & Ending Interest Rates (Lines 5 + 6) | 8.9800% | 9.2700% | 9.5400% | 9.7600% | 10.0200% | 10.2700% | 10.5000% | 10.7400% | 10.7000% | 10.7300% | 10.7400% | 10.6800% |
| 8. Average Interest Rate (Line 7 x 1/2) | 4.4900% | 4.6350% | 4.7700% | 4.8800% | 5.0100% | 5.1350% | 5.2500% | 5.3700% | 5.3500% | 5.3650% | 5.3700% | 5.3400% |
| 9. Monthly Average Interest Rate (Line 8 x 1/12) | 0.374167% | 0.366250% | 0.397500% | 0.406667% | 0.417500% | 0.427917% | 0.437500% | 0.447500% | 0.445833% | 0.447083% | 0.447500% | 0.445000% |
| 10. Interest Provision for the Month (Line 4 x Line 9) | \$9,566.62 | (\$11,919.56) | (\$35,631.13) | (\$55,011.11) | (\$66,624.45) | (\$70,313.29) | (\$50,94154) | (\$15,993.27) | \$23,523.96 | \$57,041.94 | \$75,967.46 | \$62,176.19 |